



European Regional Development Fund

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The European Regional Development Fund (ERDF) aims to reduce economic disparities between regions, for example through investments in companies and infrastructure. Responsibility for managing the programmes in the UK is spread across the Devolved Administrations, the Greater London Authority and the Department for Communities and Local Government (DCLG). England's allocation for 2007-13 is €458.1 million of Convergence funding (which focuses on the less developed regions of the EU), and €2.8 billion of Regional Competitiveness and Employment funding (which focuses on increasing a region's competitiveness). According to the latest available figures, 74% of England's available Convergence funding and 61% of its Regional Competitiveness and Employment funding has been allocated.

The European Commission has published proposals for the 2014-20 funding round, and BIS has issued an informal consultation on how the funds can be put to best use in England. In early 2013, the UK Government and the Devolved Administrations will consult on a Partnership Agreement, setting out how the Funds will be deployed. The Agreement will then be submitted to the European Commission for approval.

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1 What is the European Regional Development Fund?

The European Regional Development Fund (ERDF) is one of three main funds that have been set up under EU regional policy¹. It aims to strengthen economic and social cohesion in the European Union by reducing economic disparities between its regions. Funding is focused on three objectives, which are explained in more detail in Section 2:

- Convergence
- Regional Competitiveness
- European Territorial Co-operation.

The ERDF helps to finance:

- investments in companies (in particular SMEs) designed to create sustainable jobs
- infrastructure, particularly related to research and innovation, telecommunications, environment, energy and transport
- financial instruments (for example, capital risk funds and local development funds) to support regional and local development and to encourage cooperation between towns and regions
- technical assistance, which aims to ensure that programmes are implemented more effectively, for example through management and monitoring systems, conducting evaluations and sharing information and experience across Member States.²

In England, ERDF programmes are managed by DCLG and Local Government (apart from London, where they are managed by the Greater London Authority). Devolved administrations take responsibility for ERDF programmes.

1.1 Match funding

ERDF can fund up to 75 per cent of a scheme in Cornwall, South Yorkshire and Merseyside; and 50 per cent elsewhere.³ The rest of a project's expenditure must be funded from other sources, either public or private. This is known as "match funding". To receive an offer of an ERDF grant, match funding must be secured or applications for match funding must be at an advanced stage.⁴

Private companies may provide match funding. There are also public sources, for example, the Regional Growth Fund can be used to contribute some funding. The House of Commons Library Standard Note on the [Regional Growth Fund](#) contains more information on this fund.

2 Objectives of the ERDF

Funding is allocated to each of the three ERDF objectives.

¹ The other two are the European Social fund (which focuses on employment and training) and the Cohesion fund (which focuses on poorer Member States with a lower than average GNI per inhabitant).

² More information is available on the [ERDF page](#) of the European Commission website. More information on technical assistance is available [here](#).

³ BIS [website](#)

⁴ [DCLG and European Union guidance](#)

2.1 Convergence

The Convergence programme “aims to help the least-developed Member States and regions catch up more quickly with the EU average by improving conditions for growth and employment”⁵. It is focused on regions with a GDP per capita of less than 75% of the EU average. The Convergence programme focuses on “promoting innovation and knowledge transfer, stimulating enterprise and business development, and improving accessibility and connectivity.”

In England, only Cornwall and the Isles of Scilly has Convergence status and has been awarded €458.1 million ERDF Convergence funding in 2007-13.⁶ Because the amount is in Euros, the actual amount available in pounds depends on exchange rates.

2.2 Regional Competitiveness and Employment

The Regional Competitiveness and Employment objective is focused on the regions outside Convergence areas. It aims to increase a region’s competitiveness and attractiveness by promoting innovation and sharing knowledge; stimulating enterprise and supporting successful business; ensuring sustainable development, production and consumption; and building sustainable communities.

In total, €2.8 billion is available for the English regions under the Regional Competitiveness and Employment programme. This has been divided amongst the regions as shown in the table below.⁷ As with Convergence funding, the actual amount available in pounds depends on exchange rates.

Table 1

Funding by region

Region	(€ millions)
Funding for Regional Competitiveness and Employment	
North East	375.7
North West	755.5
Yorkshire and the Humber	583.6
East Midlands	268.5
West Midlands	399.9
East of England	110.9
London	181.9
South East	23.7
South West	124.7
Total for Regional Competitiveness and Employment	2824.4
Funding for Convergence	
South West (Cornwall & Isles of Scilly)	458.1
Total for Convergence	458.1
Total funding for England	3282.5

Source: [Department for Communities and Local Government](#)

⁵ [EU summary of legislation](#)

⁶ [Department for Communities and Local Government](#)

⁷ [Department for Communities and Local Government](#)

2.3 European Territorial Cooperation

European Territorial Cooperation programmes aim to encourage cross-border, trans-national and inter-regional co-operation and harmonious and balanced development of the European territory. The main priorities are “economic competitiveness, economic development, attractive regions to live and work in, sustainable environmental development and promoting a safe and healthy environment.”⁸

All projects must be developed by partners in at least two Member States. Therefore, the level of funding available to the UK under this objective depends on to extent to which it participates in cross-border projects.⁹ In some cases, projects involve countries sharing a border. However, there are also projects that cover wider regions.¹⁰

3 ERDF management and progress

In England, DCLG manages the ERDF, following the abolition of the Regional Development Agencies. In London, the Greater London Authority takes responsibility for managing programmes.

According to the Department, “Since 2000, England has benefited from more than €5bn of funding, with a further €3.2 billion being invested between 2007 and 2013 in local projects around the country.” Examples of projects include projects such as The Eden Project in Cornwall (£12.8 million), King's Dock redevelopment in Liverpool (£48 million) and the East Midlands Media Investment Fund (£6 million).¹¹

As the “Managing Authority” for ERDF structural fund programmes in England, DCLG is required to ensure that programmes are implemented and conform to European Commission regulations. Although the funding is agreed for the period 2007-13, the European Commission sets year-by-year allocations and targets, known as “N+2 spend targets”. Under the “N+2 targets”, allocated funds must be spent within two years of the point at which they are allocated. So for example, the allocation for 2013 would have to be spent and a claim sent to the European Commission by the end of 2015.¹²

Answers to recent parliamentary questions have set out progress in paying out ERDF funding. The figures (given in pounds rather than Euros) are shown in table below. The proportion contracted varies across different regions, ranging from 53% in Yorkshire and Humberside to 74% in the case of Convergence funding for the South-West. For England as a whole, the proportion contracted is 63% (as of end November 2011).¹³

⁸ [Department for communities and Local Government](#)

⁹ [Ibid](#)

¹⁰ More information on European Territorial Cooperation projects are available on the [European Commission website](#)

¹¹ [Department for Communities and Local Government](#)

¹² [Department for Communities and Local Government](#)

¹³ [HC Deb, 14 March 2012, c267W](#) and [HC Deb, 23 January 2012, c50W](#)

Table 2**Progress on spending Convergence and Regional Competitiveness and Employment funding (as of November-December 2011)¹⁴**

Region	Total allocation	Amount contracted		Amount paid out	
	£million	£million	As a % of total allocation	£million	As a % of total allocation
Funding for Regional Competitiveness and Employment					
North East	321.8	202.2	63%	126.9	39%
North West	625.9	445.1	71%	273.7	44%
Yorkshire and Humberside	504.1	266.3	53%	162.1	32%
East Midlands	232.1	128.9	56%	65.9	28%
West Midlands	345.1	187.2	54%	84.5	24%
East of England	95.8	67.5	70%	32.3	34%
London	158.2	112.1	71%	77.6	49%
South East	21.3	13.0	61%	6.6	31%
South West	106.4	57.6	54%	27.9	26%
Total for Regional Competitiveness and Employment	2410.9	1479.9	61%	857.4	36%
Funding for Convergence					
South West (Cornwall & Isles of Scilly)	392.4	289.7	74%	205.9	53%
Total for Convergence	392.4	289.7	74%	205.9	53%
Total Funding for England	2803.3	1769.6	63%	1063.3	38%

Source: [HC Deb, 23 January 2012, c50W](#) and [HC Deb, 14 March 2012, c267W](#)

4 The next ERDF round 2014-2020

The current ERDF round is for the period 2007-2013. The European Commission has published proposals for how the ERDF 2014-2020 round will work. The proposals include the following elements¹⁵:

- Funding would be concentrated on a limited number of objectives in line with the Europe 2020 strategy. As part of Europe 2020, the EU has set objectives on employment, innovation, education, social inclusion and climate/energy.¹⁶
- Funding would be focused on energy efficiency and renewables, innovation and support for small and medium-sized businesses (SMEs).
- Projects in certain fields would not be eligible for ERDF funding, such as those dealing with the manufacturing, processing and marketing of tobacco and tobacco products or the decommissioning of nuclear power stations.
- Specific support from the ERDF would go to cities and urban development.

¹⁴ The data for South-West Convergence funding is of end-Dec 2011. The rest of the data is of end-Nov 2011

¹⁵ [ERDF Proposed Regulation summary](#)

¹⁶ For more details, see the [Europe 2020](#) section of the European Commission website

The Department for Business, Innovation and Skills (BIS) has issued an informal consultation on how the Structural Funds, including the ERDF, can be best put to use in England “to support sustainable jobs, growth and management of the natural environment for 2014-2020.”

Each Member State will have a Partnership Agreement which will set out its strategy and rationale for how the Funds are to be deployed to complement the EU 2020 strategy and domestic initiatives for sustainable jobs and growth. The Government will use evidence from the BIS consultation to inform the England elements of the UK’s draft Partnership Agreement. The UK Government and Devolved Administrations will then consult formally on the Agreement in early 2013, before submitting it to the European Commission for approval.¹⁷

¹⁷ For more details, please see the [BIS consultation](#)